

BEFORE THE OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

IN THE MATTER OF THE APPLICATION OF)
BP AMERICA PRODUCTION COMPANY)
FOR AN ORDER POOLING ALL INTERESTS)
IN THE FRUITLAND COAL FORMATION IN) Cause No. 112
AN ESTABLISHED 397.88-ACRE DRILLING)
AND SPACING UNIT LOCATED IN THE) Docket No. _____
IGNACIO BLANCO FIELD, LA PLATA)
COUNTY, COLORADO)
)

APPLICATION

BP America Production Company (referred to herein as "Applicant"), by and through its undersigned attorney, hereby submits this application to the Oil and Gas Conservation Commission of the State of Colorado ("COGCC"), for an order to pool interests in an established 397.88-acre drilling and spacing unit in the Fruitland Coal Formation consisting of the N½ of Section 12U (320 acres), and the entirety of Section 1U (77.88 acres), Township 34 North, Range 7 West, N.M.P.M., SUL, La Plata County, Colorado.

Joining in this Application is Lois Hood (referred to herein as "Co-Applicant"), by and through her undersigned attorney.

In support thereof, the Applicant and/or Co-Applicant states and alleges as follows:

1. That the Co-Applicant is an individual that owns an undivided interest in the oil and gas estate underlying a portion of Section 1U, T34N, R7W, N.M.P.M. ("Section 1U").
2. That the Co-Applicant granted an oil and gas lease to William Perlman dated March 29, 1983, covering Co-Applicant's mineral interest in a portion of Section 1U.
3. That Section 1U is a fragmented section consisting of only 77.88 acres divided among Lots 1 through 4 and abuts and is directly south of the Southern Ute boundary line.
4. That the Applicant is a corporation duly authorized to conduct business in the State of Colorado.
5. That the Applicant is the exclusive owner of the oil and gas lease granted by Co-Applicant on Section 1U, and believes, based on available title information, that the remaining minerals under Section 1U are subject to valid and existing oil and gas leases that are owned exclusively by Applicant.

6. That pursuant to COGCC Orders in Cause No. 112, specifically Order No. 112-60 dated June 17, 1988, there were established 320-acre drilling and spacing units for the production of gas from the Fruitland coal seams, including Section 1U and Section 12U, T34N, R7W, N.M.P.M. ("Section 12U"). Section 12U adjoins Section 1U and is directly south of Section 1U.

7. That in Order No. 112-61, dated August 15, 1988, the COGCC recognized the odd situation involving irregular and small sections adjoining the Southern Ute boundary line and included Section 1U in the 320 acre units established for Section 12U. The COGCC's order, Rule 5, states:

"The fractional sections south of the Southern Ute line in Township 34 North for all ranges so affected shall be included with the 320-acre drilling and spacing units in the full section to the south, and the units shall be stand-up if at all possible."

8. That in Order 112-157, dated April 25, 2000, a second optional well for the Fruitland coal seams was permitted in each 320-acre drilling unit.

9. The foregoing orders were in effect in 2002 when SG Interests I, Ltd. drilled the first producing well in the N $\frac{1}{2}$ of Section 12U, the Echols Ute 1-12U well in the NW $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 12U.

10. In 2003 SG Interests I, Ltd. drilled the second producing well in the N $\frac{1}{2}$ of Section 12U, the SW $\frac{1}{4}$ NE $\frac{1}{4}$, the SE Bayfield 34-7 #12U-1 Well, and COGCC records indicate that the operator designated a N $\frac{1}{2}$ Section 12U Unit, a "laydown" unit.

11. That, based on information and belief, SG Interests V, Ltd. was record title owner of leases covering all or a portion of the N $\frac{1}{2}$ of Section 12U during the drilling of the mentioned wells, and that SG Interests V, Ltd. is affiliated with the operator of those wells, SG Interests I, Ltd.

12. That a review of the files of the Applicant in its Durango, Colorado office reveals no evidence that the operator of the Echols Ute 1-12U and the SE Bayfield 34-7 wells, SG Interests I, Ltd. prior to drilling: (a) solicited the participation election of the Applicant in the costs thereof; or (b) sought to voluntarily or involuntarily pool its leases in the N $\frac{1}{2}$ of Section 12U with those of Applicant in Section 1U.

13. That the two wells were completed as commercial producers of oil and/or gas and remain productive to this date.

14. That Samson Resources Company acquired the interest of SG Interests I, Ltd. and SG Interests V, Ltd. in the N $\frac{1}{2}$ of Section 12U and the two producing wells effective December 1, 2004.

15. That in September, 2005 Samson Investment Company, a company believed to be affiliated with Samson Resources Company, filed an application with the COGCC to amend the applicable spacing orders to allow an optional third and fourth wells to be drilled for production from the Fruitland coal seam in each 320-acre drillsite unit. The lands subject to this application included Section 12U but excluded Section 1U.

16. The application resulted in Order 112-181 of the COGCC dated October 31, 2005.

17. That Samson Resources Company, or its affiliate, spudded the third well in the N½ of Section 12U on September 9, 2006, the Echols Ute 2-12U Well a directional well with a surface location in the NW¼ NW¼ of Section 12U and a bottom hole location in the NE¼ NW¼.

18. That a review of the files of the Applicant in its Durango, Colorado office reveals no evidence that Samson Resources Company prior to drilling: (a) solicited the participation election of the Applicant in the costs thereof; or (b) sought to otherwise voluntarily or involuntarily pooled its leases in the N½ of Section 12U with those of Applicant in Section 1U.

19. That effective April 1, 2002, SG Interests V, Ltd., operator, entered into a Communitization Agreement for the N½ of Section 12U, combining and pooling its leases on these lands as to the Fruitland coal seam, including the lease covering the W½ NE¼ of Section 12U, granted by the Southern Ute Tribe of Indians. The Southern Ute Tribe of Indians approved the Communitization Agreement.

20. That in order to prevent waste, protect correlative rights and in the best interests of conservation, all parties listed on Exhibit A should be pooled as to the Fruitland coal formation in accordance with C.R.S. §34-60-116 as to the N½ of Section 12U and Section 1U and thereby create a 397.92 acre pooled area coinciding with the drillsite spacing unit prescribed by Order 112-61. Applicant and Co-Applicant do not herewith seek an order force pooling the interests of the Southern Ute Tribe of Indians, owners of the leased minerals under W½ NE¼ of Section 12U. Applicant requests that the interest of Samson Resources Company as lessee under this lease be pooled.

21. The parties listed on Exhibit A are those persons who own any interest in the mineral estate, except owners of overriding royalty interests, in accordance with COGCC Rule 507 b.(2).

22. Applicant and Co-Applicant request that the pooling order be made effective the date of commencement of operations on the Echols Ute 1-12U well pursuant to the COGCC's authority to prescribe the "just and reasonable" terms of pooling under C.R.S. §34-60-116 (5). Applicant should be granted an option to participate for its share of costs in the operations. Only through retroactive pooling to commencement of operations will Applicant and co-Applicant receive their just and reasonable share of production from the applicable drillsite unit. Such a result does not treat Samson Resources Company or its predecessors, SG Interests V, Ltd., unfairly, both of whom failed to contact Applicant prior to the drilling of any well. Both entities apparently failed to follow customary land practices of identifying and contacting those working owners that hold a material working interest in the drillsite spacing unit for the proposed well, or otherwise elected to

ignore the interests of the Applicant and the Co-Applicant. Because the existing three wells are within the same drillsite unit as Section 1U, both Applicant and Co-Applicant should be entitled to share in production therefrom upon voluntary or involuntary pooling.

23. Applicant is unable to secure the agreement of Samson Resources Company to the terms of pooling as set forth above.

WHEREFORE, Applicant and Co-Applicant respectfully request that this matter be set for hearing in October, 2010, that notice thereof be given as required by law and that upon such hearing this Commission enter its order:

A. That all interest owners with whom Applicant has been unable to secure an agreement for the pooling of all interests as described above be pooled involuntarily with respect to the Fruitland coal formation for all wells within the drilling and spacing unit described above consisting of the N/2 of Section 12U and Section 1U, and that such order be made retroactive to the date of commencement of operations on the first well drilled in such unit.

B. For such other findings and orders as the Commission may deem proper or advisable in the premises.

Dated this 31st day of August, 2010.

LOIS HOOD

By: _____
Jeffery Robbins, Esq.
Goldman Robbins Nicholson P.C.
679 E. 2d Avenue, Suite C
Durango, CO 81302

BP AMERICA PRODUCTION COMPANY

By: _____
Thomas W. Niebrugge
Lindquist & Venum PLLP
600 17th Street, Suite 1800 South
Denver, CO 80202
(303) 573-5900

Co-Applicant's Address:

c/o Jeffrey Robbins; attorney for Co-Applicant

Applicant's Address:

BP America Production Company
501 Westlake Park Blvd.
Houston, TX 77079

VERIFICATION

STATE OF COLORADO)
)ss.
CITY AND COUNTY OF DENVER)

Debra Bacon of lawful age, being first duly sworn upon oath, deposes and says that she is Attorney-in-Fact for BP America Production Company and that she has read the foregoing Application and that the matters therein contained are true to the best of her knowledge, information and belief.

Debra Bacon

Subscribed and sworn to before me this ____ day of June, 2010.

My commission expires:

Notary Public

[SEAL]

CERTIFICATE OF MAILING

I certify that on September 1, 2010, a true and correct copy of the foregoing Application with its attachments was served by U.S. Mail, postage prepaid to the Owners and Interested parties listed on Exhibit A as follows:

Abalon Energy LLC
P.O. Box 4001
1099 Main Ave., Suite 315
Durango, CO 81301

Adelante Oil & Gas, LLC
P.O. Box 2471
Durango, CO 81302

Michael L. Bartlett
809 6th Street NW Apt. 12
Washington, D.C. 20001-5901

Ernest W. Bartlett
111 West 67th Street Apt. 35A
New York, NY 10023-5960

BP America Production Company
380 Airport Road
Durango, CO 81303

Christopher D. Black and
Louis M. Black, joint tenants
5541 County Road 523
Bayfield, CO 81122

Archie Blackmore
2662 Q Road
Cedaredge, CO 81413

Brent B. Blackmore and
Brenda L. Kiteley, tenants-in-common
3018 Walnut Ave.
Grand Junction, CO 80504-5636

Lewis E. Clark
1825 County Road 240
Durango, CO 81301

Katherine A. Coombs

19575 Lockridge Drive
Colorado Springs, CO 80908

Ellen G. Crafts
a/k/a Gladys E. Crafts
3237 South Creekside Drive
Springfield, MO 65807

Alfred L. Frahm and
Frances L. Frahm, trustees of the
Alfred L. and Frances L. Frahm Trust dated
September 12, 2002
140 Tierra Encantada
Corrales, NM 87048

Frazier Land, LLC
Attn: John Randle
134 Rock Ridge Dr.
Durango, CO 81301

H. G. Lasater Trust Dated
February 20, 2006
6855 County Road 523
Bayfield, CO 81122

Janice Hammond
63360 JIG Rd
Montrose, CO 81401

Theodore R. Hannon III
5485 South Kirk Circle
Centennial, CO 80015

John W. Hood
45 Animosa Drive
Durango, CO 81301

Lois E. M. Hood, life tenant;
Remaindermen: Carline Anne Mattison and
Justine Anne Hill, Tenants-In-Common

32466 Highway 550
Durango, CO 81301-7172

Livestock, Inc., f/k/a
Beaver Creek Land and
Cattle Co., a Colorado corp.
P.O. Box 801
Mesilla Park, NM 88047-0801

Alice Mann
24689 Timothy Road
Cedaredge, CO 81413

Judy Miller
1733 Alexandria
McMinnville, OR 97128

Park Circle Company, Ltd.
Attn: Paul G. Bell, Jr.
5555 Del Monte, Number T3
Houston, TX 77056-0000

Irene Passfield
7271 E. Maritime Drive
Tucson, AZ 85756-9020

Joseph P. Perino and
Mary R. Perino, Joint Tenants
28569 Hwy. 550
Durango, CO 81301-3725

SG Interests I, Ltd.
Attn: Robbie Guinn
100 Waugh, Suite 400
Houston, TX 77007

SG Interests V. Ltd.
Attn: Robbie Guinn
100 Waugh, Suite 400
Houston, TX 77007

Samson Resources Company
Attn: Kevin L. Stowe
370 17th Street, Suite 3000
Denver, CO 80202

United States of America in trust for the SUIT
Southern Ute Tribe Growth Fund
P.O. Box 1500
14933 Hwy. 172
Ignacio, CO 81137

Earline C. Whitney (Deceased)
970 Acequia Madre
Santa Fe, NM 87501

Gail H. Carlstead

EXHIBIT A

Owners and Interested Parties

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